

# **Fusion Fuel Green PLC (HTOO) Q1 2024 Earnings Call Transcript**

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**Body**

Fusion Fuel Green PLC (HTOO)

Q1 2024 Earnings Conference Call

June 5, 2024, 10:00 AM ET

Company Participants

Ben Schwarz - Head, Investor Relations

Gavin Jones - Chief Accounting Officer and CFO

Frederico Figueira de Chaves - Chief Executive Officer

Conference Call Participants

Erwan Kerouredan - RBC Capital Markets

Jeff Grampp - Alliance Global Partners

Presentation

Ben Schwarz

Hello everyone. Welcome to Fusion Fuel Green's First Quarter 2024 Investor Update. My name is Ben Schwarz, and I lead Investor Relations.

I would like to first remind everyone that some of the information provided during the conference call may contain statements of future expectations and other forward-looking statements. These expectations are based on management's current views and assumptions and involve known and unknown risks and uncertainties.

It's possible that our actual results and financial condition may differ from the anticipated results and financial condition indicated in these forward-looking statements. For discussion of some of the risks and important factors that affect Fusion Fuel's future results, please see the risk factors in the company's latest annual report on Form 20-F filed with the SEC.

Fusion Fuel assumes no obligation to update or revise any forward-looking information provided during the conference call and shall not be liable for any action taken in reliance upon such information.

So, with that out of the way, thank you again for joining us today. I'll briefly run through our agenda. As always, I'll begin with an overview of Fusion Fuel, followed by some observations on the market and industry dynamics within the green hydrogen space.

Gavin and Frederico will then review first quarter highlights, subsequent developments and commercial updates, including a deep dive into our pipeline, before wrapping up by checking in on our progress against our 2024 priorities.

We'll then open up the floor for facilitated Q&A. As in previous quarterly calls, questions can be entered in the chat box in the webcast platform at any point during the next hour. Alternatively, you can also submit your questions to the Investor Relations mailbox, which is ir@fusion -fuel.eu.

So, without further ado, let's begin again with a brief refresher on Fusion Fuel, our value prop, and positioning in the green hydrogen sector. So Fusion Fuel's mission unchanged is to unlock the energy transition through the design and development of innovative green hydrogen solutions.

Again, at the heart of everything we do is our proprietary HEVO micro-electrolyzer technology. It employs a simplified modular design and decentralized parallel architecture that unlocks multiple sources of advantage for us, including superior long-term performance, market-leading efficiency and high-throughput industrialized production.

Our micro-electrolyzer technology lends itself to a turnkey building block approach to project development that delivers unprecedented flexibility and enables us to play competitively in small- to mid-scale projects, a segment of the market where we continue to see considerable demand growth.

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We've developed a complementary end-to-end service proposition that positions us to deliver solutions for our clients no matter where they are in their hydrogen journey, enabling us to capture a meaningfully greater portion of project spend.

We've built a robust pipeline of actionable near-term green hydrogen projects with diverse avenues for monetizing value creation along the development cycle highlighted by our flagship IPCEI Project in Sines, Portugal.

And finally, we are well positioned to take advantage of the significant growth ramp as the market develops with a large and diverse pipeline featuring projects across more than a dozen countries underpinned by our world-class electrolyzer production facility located in Portugal.

So, next slide, please. As we've done for the last few quarters, we want to share our perspective on some dynamics within the green hydrogen sector that we hope will help contextualize our presentation today.

The story of 2024 thus far is one of green hydrogen at a crossroads. Looking at the market as a whole, we've seen a lot of activity and investment further up the value chain over the last few years in improving electrolyzer technology and ramping production capacity. However, the demand side has been and still very much is a work in progress.

The subsidy programs that many hoped would serve as a forcing function to create downstream demand have proven insufficient and the continued premium for green molecules is keeping much of the legacy consumers of hydrogen on the sidelines, reluctant to sign long-term offtake commitments.

This asymmetry has created a challenging commercial and capital markets environment for electrolyzer manufacturers who really were banking on deployment of their large-scale centralized systems.

But the picture isn't all gloomy. We're seeing a significant uptick in demand across emerging use cases, like commercial mobility, steel, cement manufacturing and other industrial applications. These projects tend to be smaller in scale, are typically for self-consumption, where the hydrogen is consumed on site as part of a production process.

These projects also happen to be where we have historically focused our commercial efforts, as we believe our modular, scalable HEVO-Chain solutions are uniquely relevant for that segment of the market.

Over the course of this presentation, we hope to convey the ways in which our tech and our end-to-end service proposition leaves us well positioned to create value for our customers and grow alongside them.

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So, with that, I'll now introduce Gavin Jones, CFO of Fusion Fuel, to share some highlights from the first quarter of 2024.

Gavin Jones

Thank you, Ben. Good afternoon or morning to all of you who have joined our first quarter investor update call. During the first quarter, we received notification of the European Commission's acceptance of our HEVO-Portugal Project as an important project of common European interest for IPCEI. Frederico will provide an update on this project later in the presentation.

We raised net proceeds of €5.9 million through our ATM facility during February, with the lion's share of this being raised on February 16th, when we witnessed unprecedented trading volume following the above IPCEI award. We were rewarded a separate grant from the European Commission as part of the H2tALENT consortium. The total value of this award was just above €1 million and we are currently finalizing our first drawdown.

We received provisional grant approval for our 25-megawatt HEVO-Aveiro green hydrogen project. This grant represents an estimated €5 million in grant funding. The grant approval was awarded as part of the second funding call of the Portuguese Government's C-14 grant program, which is focused on accelerating the energy transition by supporting the production of hydrogen and other renewable gases.

For those familiar with the Fusion Fuel story, one of our projects in Sines was previously awarded €10 million as part of the first funding call of the same program. The company is also involved in a second submission for a 10-megawatt green hydrogen project led by a Portuguese Industrial Company, which has also received funding approval.

Our HEVO-Aveiro project will have our HEVO-Chain technology installed, along with the associated balance of plant equipment. This plant will produce an estimated 2,100 tons of green hydrogen per annum, which is expected to be used by the local ceramic industry.

Finally, we convened an EGM to secure shareholder approval, allowing the company's Board of Directors to allot securities above the 20% annual cap imposed under Irish law. After the end of the first quarter, we drew down on the first tranche of the Macquarie facility, which amounted to $1.15 million. We intend to work with Macquarie to finalize a second closing on the facility as soon as possible. We completed the installation of a 300-kilowatt HEVO-Chain system for a global cement leader. Frederico will also discuss this project in a bit more detail.

This morning, we announced that we signed a technology sale contract for a 100-kilowatt HEVO-Chain system for a hospital client in Iberia. The hospital intends to capture the green oxygen created as a byproduct of the electrolysis process for medical applications and to use the green hydrogen generated to produce emissions-free power for the facility. The project also includes an R&D work stream aimed at developing and testing new materials for our HEVO technology.

And finally, we continue to widen our strategic commercial relationships. These relationships reflect a strong perception of our technology and engineering capabilities. As we deliver small- to mid-scale projects, our strategy is laser-focused on creating follow-on opportunities, which in turn will add value to the company as we continue to increase the track record of our HEVO technology.

We will now move on to the financial results for the first quarter. Please note that all values discussed are in euros unless stated otherwise. No revenue was recognized during the first quarter. At the end of the quarter, we had €0.7 million of inflows that did not meet the revenue recognition requirements, and instead, these amounts will be recognized as revenue later in 2024.

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Given the nature of our contracts, the key driver of revenue recognition is delivery or client acceptance. I had noted previously that our 2024 revenues would be weighted towards the second half of the year. For our 300-kilowatt HEVO-Chain system that has been installed, the milestone for revenue recognition is client acceptance. This will take place after the commissioning phase is completed.

We continue to sell or scrap our legacy HEVO-Solar materials and received inflows of €0.24 million during the first quarter. These sales have continued into the second quarter and we will continue to realize as much as possible from the components previously impaired. We did not book any impairments during the first quarter.

You may remember from our fourth quarter presentation that we had some credits recorded against our operating cost base relating to grant inflows. These credits were not repeated during the first quarter and this is why we are showing an increase in our SG&A. Once we excluded the credits from the fourth quarter expenses, our cost base decreased by €1.5 million. This is the fifth consecutive quarter that we recorded a reduction to our operating cost base. Our cost base continues to be a source of focus and we achieve further reductions in areas like motor, travel, legal and general operating expenses.

The pre-tax loss for the quarter amended to €5.1 million and included non-cash items relating to share-based compensation expense of €0.6 million, depreciation and amortization of €0.7 million and a fair value loss associated with our warrants of €0.6 million as our derivative liability increased.

The non-current assets and inventory balances are shown net of historical impairment charges. The increase to inventory is down to two items. One being the reduction of the provision for impairment as items of legacy inventory were sold or scrapped. And the second being purchases made to fulfill our current technology projects. Until we recognize the revenue associated with technology sales, the equipment and materials related to this revenue remain part of the inventory.

In May, we received a deficiency notice from NASDAQ regarding our shareholders' equity. Under the listing rules of the NASDAQ Global Market, companies are required to maintain a minimum of $10 million in shareholders' equity. We have 45 days to submit a plan to NASDAQ to regain compliance. If that plan is accepted, NASDAQ can grant an extension of up to 180 days to execute the agreed plan. We are finalizing this plan and it will be submitted in advance of the 45 days permitted. The notice has no immediate effect on the listing of our ordinary shares, which continue to trade on the NASDAQ Global Market under the symbol HTOO.

Our bank balance was just over €1.5 million on March 31st. Since then, we have received $1.15 million from Macquarie along with various other customer inflows. Following the drawdown of tranche one of the Macquarie facility, we notified the placement agents of the termination of the ATM sales agreement.

As mentioned earlier, our EGM took place during the first quarter. Under Irish law, the company must have authority from its shareholders to issue any securities. The company's shareholders previously authorized the company to issue securities of up to 20% of the issued ordinary shares of the company during any calendar year. We sought and received approval from the company's shareholders to provide the company with authority to issue securities above and beyond this 20% cap.

We continue to believe that uncertainty around our capital position is the greatest concern of the market and that resolving the capital constraint will remedy our long-standing valuation disconnect relative to our peers.

As noted in previous updates, we continue to explore multiple options to solidify our capital position. A priority of ours is to exit cash burn by the end of 2025 and to do this we will need to reinforce our balance sheet.

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A strengthened balance sheet should assure our teams, investors and shareholders that the company is sufficiently equipped to achieve its goals and targets. It also provides our customers with further assurances that the warranties that are being offered as part of our technology contracts can be fulfilled.

The shareholder approval allows management to move quickly and decisively in the event of a prospective capital raise or strategic partnership. We have significant grant amounts expected for 2024 which will mostly be to reimburse us for spend relating to R&D, our production facility and engineering services for our projects.

Due to the strengthening of our balance sheet in February and as we are now receiving customer inflows regularly, we are satisfied that the operational inflows coupled with the drawdowns from the Macquarie facility provide us with a runway to execute the capital raise efforts in progress. As noted in our investor letter, we intend to secure strategic and structural financing that will enable us to execute our business plan and accelerate growth.

Finally, I am -- I want to confirm that we are maintaining our guidance for 2024 which was communicated earlier this year.

I will now pass you over to our CEO, Frederico, who will provide a commercial update.

Frederico Figueira de Chaves

Thank you, Gavin. Good afternoon, everyone, and thank you for joining us today. I'm thrilled to be able to share with you the latest images from our project with cement major in Spain. This is not only the first commercial installation of the HEVO-Chain system but is also the first project where we are also capturing the oxygen released in the process.

This 300 kilowatt facility was a turnkey solution delivered by Fusion Fuel. We took the work on from the conceptual design through all the engineering work required and finally the supervision of the installation and commissioning. It's a special project in the green hydrogen world as it is commercially viable already without financial support and grants. This is pretty unique in the hydrogen market today.

One of the main concerns for such an installation is the availability of the hydrogen and ensuring the production does not stop and impact the operation of the kiln. This is where our HEVO-Chain system truly differentiates itself. The system is made up of 15 HEVO-Chain cubes, each operating independently. Therefore, any issue with any underlying HEVOs will not impact the continuity of the plant's operation.

We see a significant competitive advantage for our solution in the sector with both the performance of our system and the availability advantages. And as outlined in our letter, we have already received multiple requests for follow-on proposals from the same client and others in this industry. This plant is finalizing its installation and starting the commissioning process now.

As mentioned, the commercial advantages of our offering are substantial for the market we are focusing on. We are not the solution for every challenge in the green hydrogen space, but for the sub-10 megawatt plants and where availabilities are concerned, we have an excellent solution.

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We have a market-leading system efficiency for the electrolyzer system, thereby reducing the cost of green hydrogen produced. We can ensure strong availability of a hydrogen plant both through an industry-leading nominal load range, meaning that we can produce hydrogen even with the smallest power inputs to a system, as well as with the modular design of the system.

This modularity, as I mentioned previously, allows us to be able to do partial system shutdowns when operational maintenance work is required, thereby minimizing the risk of production stoppages for clients. This applies to both the container and the cube solutions.

The modularity and independent operation also brings another strong advantage. Given the operational independence of each of our HEVOs, we're able to significantly reduce the contagion effects that occurs in traditional systems.

In many systems, if one membrane has accelerated degradation or performance issues, it can contaminate an entire stack. In our case, each HEVO is its own independent stack, and therefore, an issue in one does not impact the broader system.

Lastly, our plug-and-play models -- modules allow us to deliver to a client a system perfectly sized to their needs, while also allowing for a simple scale-up of a plant later if the hydrogen need increases. We have recently been working with partners where they have requested a phased increase in electrolyzer capacity over several years and our system can manage those requirements extremely well.

For the next two slides, I'd like to focus on our commercial pipeline and the offers that we have outstanding. As you may recall, we truly started marketing the HEVO-Chain solution in the third quarter of last year. The shift we made last year from the HEVO-Solar to the HEVO-Chain solution massively increased our addressable market and it -- and makes it significantly easier for clients to understand our system.

Also, towards the end of last year, we made a concerted effort to broaden our reach beyond our home markets of Portugal and Spain. Since then, I'm pleased to note that we have a very strong pipeline with over 200 megawatts of offers and tenders made to clients in 16 different markets. We're very happy to see the traction we're seeing in the market with our offering, and as expected, most of our offers are for under 10 megawatts. This is really the segment where our HEVO-Chain system differentiates itself from the rest of the markets.

To expand further on our pipeline, as mentioned, we have broadened our market reach substantially, although most large projects continue to be in Portugal and Spain, given our local presence and strong renewable energy profile in these markets. In terms of number of offers outstanding, it's a near 50-50 split between Iberia and the rest of the world. A trend we believe will continue to develop further with the rest of the world growing over time.

In terms of types of proposals, the majority of the offers outstanding lie in the 5 megawatts or under category. This is deliberate and it fits with our commercial strategy, as this fits our solution particularly well. But also because the majority of early green hydrogen projects being made and actually being undertaken are small projects.

The industry has not yet proven its ability to deliver consistently large systems and government actions are continuously delayed. Therefore, we believe that apart from a few projects, most of the actual installation efforts in the next couple of years will be in the small- to mid-sized project range.

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As we have highlighted in the past, our engineering expertise, our hydrogen market experience has been a real asset in proposals and in discussions with clients. As you can see here, over 80% of our offers offer services in addition that include electrolysis provision, as well as engineering services or balance of equipment purchasing.

This means that we're able to capture a bigger share of wallet of the hydrogen projects we're involved in. The push of full plant solution, as well as the focus on small projects, is all in the spirit of seeking the client who needs our product, be it electrolyzer or hydrogen engineering expertise.

Now changing gears slightly, I'd like to briefly update on our own project portfolio. To remind everyone, several years ago, our focus was to create our own hydrogen projects to develop our own pipeline, as our technology was very new.

We currently have six development projects that are fully owned by Fusion Fuel, where we have the intention to either sell the projects to a third-party infrastructure player or partner with a capital player on these.

The heart of this portfolio is the Sines projects. We're showing the first quarter was designated an important project of common European interest, then IPCEI, and I'll go into more details on that on the next slide.

The remaining three projects listed here continue their development journey, both in the negotiations with hydrogen off-takers, as well as with potential project investors. Most recently, the Aveiro project was awarded a grant during the first quarter as well.

So now all projects in our portfolio have government funding awarded, are in various stages of negotiations with investors and partners. We believe that this portfolio will provide a substantial added value to the pipeline we outlined before and bring substantial value-add to our shareholders as well.

For those that have a good memory, you will notice this is the same slide that we used last quarter on our Sines IPCEI. However, this is such a substantial project that we wanted to highlight it again and provide a short update with what we can say at this stage.

So after four years of submitting the request for IPCEI consideration, along with substantial work and replying to all the various queries over this time, we finally received confirmation that our project was designated an IPCEI project by the European Commission.

This 630-megawatt project, which incorporates our Sines 1 and 2 projects as well, that already have grants from Portugal's Government, looks to supply 62,000 tons of green hydrogen per year and aim to avoid 650,000 tons of CO2 per year, all with the goal of being installed by the end of the decade.

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With the IPCEI designation, we can get support from the Portuguese Government, the European Investment Bank and apply to the European Innovation Fund, all to help cover the premium associated with the green hydrogen production versus traditional grey hydrogen production costs.

This provides this project with substantial value. The project is too large Fusion Fuel to undertake alone, as we've mentioned before. We're actively in discussions and negotiations with partners regarding this project, looking to secure very meaningful value to the company and shareholders over the long-term.

Given its size and the due diligence work required as part of these negotiations, we still expect it to be several months before we can share with you the outcome of those ongoing discussions. Earliest we would say is end of summer, but these can obviously go on for quite a long time.

Recently, we were awarded a substantial Work Package worth €1 million for a project called H2tALENT, which spans six markets and includes a consortium of 28 parties that is supported by government grants. This project directly relates to our IPCEI and the injection into the Sines hydrogen backbone, as it is paying for the FEL I and II studies for our Sines projects.

It also includes further developing our demonstration plant and capabilities in Aveiro. We're pleased to be part of this project and of having the opportunity to build relationships for the future with the other 27 members of the consortium. In addition, we're proud to be part of the only green hydrogen valley in Europe's clean hydrogen joint undertaking that is led from Portugal, cementing our leadership position in this market.

Now, before we go into Q&A, we want to cover the 2024 priorities and value drivers. We are on our way to deliver five to six full HEVO-Chain systems to European clients this year, five of which are full project deliveries. Of course, the installation of the first system we mentioned previously is a critical step in that journey. To note, we can install a project today in less than four weeks for the HEVO-Chain system, given its plug and play nature.

Strengthening our balance sheet remains a vital task in which Gavin, Ben and I are all closely involved in. These discussions have been in the works for a significant time, but given the sensitive nature to them, we can only provide information on these once they've closed.

Having Macquarie line now operational is an important tool for the company in this effort. Of course, as Gavin mentioned, we're looking to secure more strategic sources of capital so that we can fund ourselves clearly through to cash flow breakeven, something that we feel will go a long way to address the valuation disconnect between Fusion Fuel and our competitors.

As mentioned earlier in the presentation, we have made significant strides in broadening our commercial reach, and during this year, we want to further solidify that by certifying our product for the North American and Australian markets.

On the cost front, we continue to make progress. You heard before from Gavin that we have reduced operational costs for five consecutive quarters. At the same time, we've increased the efficiency of the HEVO production line. With now more than 12,000 single HEVOs produced, as a reminder, each HEVO is a miniaturized stack, our production team has significantly optimized the production process and we have already surpassed the reduction of 50% of product transformation costs from about a year ago on this current HEVO generation and expect to reach a reduction of 70% in those transformation costs by year end. These are not the raw material costs, but the costs related to the creation of the product in-house. This is a phenomenal achievement by the production team.

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Lastly, we have established relationships with multi-project developers for portfolios of small projects. As noted, this is where we see activity in the near future and being able to work on multiple projects with single clients means that we can efficiently grow our pipeline. Three of those clients that we are currently working with have portfolios that would signify around €90 million in potential business for Fusion Fuel, for services that include electrolyzer provision and engineering services. We see this as an important angle for us to keep developing and we will continue to pursue these type of relationships.

With that, I'll close the first portion of the update and ask that we move on to the Q&A portion of the session. Thank you very much.

Question-and-Answer Session

A - Ben Schwarz

Great. Thanks, Frederico. So, we've got some questions in via email, as well as through the webcast platform. A reminder, anybody who has questions, please submit them. So, I'll begin with some questions from a couple of our analysts or I'll begin with Erwan Kerouredan from RBC Capital Markets, who asks why we elected not to provide a formal update on our 2024 revenue guidance.

Gavin Jones

Thanks, Ben. Yeah. So, I think, just in terms of the guidance that we previously communicated, we're maintaining our guidance, sorry, that I mentioned in my session, and we're maintaining the guidance for 2024 as it remains our best estimate. We haven't had any substantive information since we last communicated, so felt it appropriate to keep it as it is.

As Frederico mentioned during his session, we're working hard to monetize the Sines portfolio, but this will take time. We had previously included or still include revenues from our Sines portfolio in that guidance, but until we have further clarity on the current process, I think, it would be inappropriate for us to revise the guidance right now and that's why we're remaining with the same position.

Ben Schwarz

Thanks, Gavin. Next question concerns the certification process for HEVO-Chain in North America and Australia. What are the steps required to achieve that milestone?

Frederico Figueira de Chaves

Thanks, Ben. So, this is really engaging with an external certification company, such as TUV. So, what we have going on with them is capturing all the certifications and requirements needed for those markets and then the HEVO-Chain goes out for testing with them to ensure compliance with all of those. This is something that we expect to be able to execute by year-end and this is a timeline that we are working on with our external partners.

Ben Schwarz

Sticking with HEVO-Chain, can you provide any customer feedback that the company has received with respect to that solution?

Frederico Figueira de Chaves

So, the -- as I note, we are installing the first customer unit now at the cement factory. So, as I say, we're currently finishing the installation, going into the commissioning process. I would note that the fact that we've been asked by the same clients to provide four other plant proposals for their -- some of their other cement plants will be -- is a pretty good indication of the -- that they are content with our service and our solution there. However, the plant hasn't yet gone live.

Ben Schwarz

And a final question from Erwan. Can you provide any commentary on how much capital the company is looking to raise to secure or strengthen the balance sheet this year?

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Frederico Figueira de Chaves

I don't think we've provided, before we get ourselves into trouble, I don't think we have provided a specific number in the past. So, I want to make sure that we don't move into that space. However, we'd note, and as Gavin noted before, that we have -- we want to reach our cash flow break even towards the end of the year, end of 2025, sorry, apologies.

And that we have, on average, a band rate of somewhere around between €1.2 million, €1.3 million per month. It's not exactly flat month-by-month because we get inflows from grants, from clients, et cetera. But that could give an indication if someone is looking to work a sort of rough range for themselves. Of course, how much we'd want to raise also depends on how actively and so on we execute the facility as well.

Gavin Jones

Exactly. I'll just add to that, if that's okay. As part of our previous guidance, we expect to have between €8 million to €10 million in CapEx throughout 2024. So, again, that kind of adds on to the point that Frederico mentioned in terms of working that out. But again, just want to reiterate that, that spend will continue to be dependent on the inflows. So whether it be client billings, the financing activities that have been mentioned and those grants that have been so important to us recently.

Ben Schwarz

Okay. Moving on to a couple of questions from Jeff Grampp at Alliance Global Partners. Frederico, you touched on, in the question around customer feedback, you touched on these follow-on opportunities from the cement customer. Do you have a timing expectation for when that customer may decide on the additional projects that have been proposed?

Frederico Figueira de Chaves

We don't. The four projects are in three different markets. Let's call it two projects for one market and the other two for the two different markets. So we're working through with them on those projects now.

For us, the natural stage here is that after the go-live would be when, any decision, I don't expect any decision to be taken before the go-live. The go-live being only in less than 10 days for the plants. But, of course, as we've seen with hydrogen, final decisions can always be delayed.

Ben Schwarz

Speaking with the subject of technology sales or that part of the business, we mentioned in the presentation 73% of projects in the pipeline are under 5 megawatts. Within that bucket, are you able to further parse that to an average project size?

Frederico Figueira de Chaves

Sure. The average project size is around 3 megawatts from those under 5 megawatts size. However, I will note they range all the way from 0.1 megawatts all the way to 5 megawatts. So a substantial amount of the 1s megawatts in that bucket are at the 5 megawatts range. But the simple average is 3 megawatts.

Ben Schwarz

Great. Moving now to the product development side of the business. Can you provide an update on the status of some of those prospective project sales? Are there any timing risks related to the expiration or sunset of grant funding?

Frederico Figueira de Chaves

Yeah. This is a very good question. Of the projects, the grants have a deadline of 2025 or 2026, with the exception of Sines 1, which has an expiration date of this year. That said, because it is incorporated in our Sines 1 portfolio, we have already asked for the extension of the timeline to fit with the overall Sines IPCEI. So because this is all being negotiated and discussed as one package, this has been explained and discussed with the grant authorities why that extension is required. So we do not expect at this time that to be an issue, but that would be the risk that we currently see for the Sines 1. Only the others are further down the line.

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Ben Schwarz

Thanks, Frederico. And lastly, at what stage would you characterize the conversations with the prospective partner for the IPCEI project and can you touch on any expectations that you may have on timeline for due diligence?

Frederico Figueira de Chaves

Also, they have put a substantial team, including two or three external policies involved in the due diligence. This process has been ongoing for a couple of months now. So I would say pretty advanced on the due diligence stage, but just starting the negotiation stage at this point in time.

Ben Schwarz

Thanks, Frederico. Now, moving on to questions from the audience. There were a couple of questions on the NASDAQ non-compliance notice. Gavin, perhaps, you can provide some commentary here. With respect to the plan to comply with the $10 million equity requirement, noting that the 45-day period ends in two weeks?

Gavin Jones

Yeah. Thanks, Ben. So I think our requirement is to submit a plan to NASDAQ within the 45 days. I think in terms of going through the plan in detail here is just not appropriate. We are confident and pretty comfortable with our plan and where the equity is currently.

Again, we're looking at March 31 numbers as part of this presentation. So things have obviously changed, as I think is mentioned in the chat with the Macquarie drawdown as well, which obviously improves the equity situation.

So I think to be respectful to NASDAQ, we will present that plan to them and then once we have discussions with them, we will make the appropriate filings and press releases subsequent to those conversations.

Ben Schwarz

I would just note two things. The first, it was a question with respect to following the ATM, the proceeds from the ATM sales in February and then the first drawdown on the tranche of the Macquarie facility. How is it that the company does not have sufficient equity to meet that requirement? That non-compliance was based on our published audited financials at the end of 2023. So the delisting notice does not take into account any additional equity generated or created during 2024.

The other thing I'd mention is we also have the option to transfer to the NASDAQ capital markets, which has a lower, I think, it's $2.5 million equity requirement among other less stringent criteria. So that's the other context that I would provide there that would provide some comfort to the audience.

There's a question here on opportunities in the U.S. market and whether management feels that that market could represent a significant source of growth for the company once the Treasury Department finalizes the highly anticipated guidelines with respect to $3 per kilogram PTC?

Frederico Figueira de Chaves

Look. Absolutely, this is even just as recently as today, we've been submitting an offer for the U.S. markets. So we certainly think that the U.S. market is a critical market for the hydrogen industry and for Fusion Fuel in the future. There is a reason why we want to make sure that our product is certified for the North American markets.

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So, yes, expansion into the U.S. market is something that definitely is in our books. We do work with a number of partners in that region, as we've announced already. It's Electus Energy, Elemental Energy, so on and others. So we do put significant amounts of time where possible to develop our relationships for that market.

Ben Schwarz

Thanks, Frederico. Sticking with the U.S. market, do you have -- is there an update that you can provide on the Bakersfield project, which -- it's if the folks -- this was now a couple of years ago, it was an announcement of a partnership with Electus Energy to develop a, I believe it's a 500 megawatt project, 300 project in Bakersfield, California.

Frederico Figueira de Chaves

It's a -- for the moment's sake, a 70-megawatt or so project…

Ben Schwarz

Okay.

Frederico Figueira de Chaves

… in California. But as noted and as we've seen everywhere, all of the large scale projects are getting significantly delayed. Of course, the fact that the clarity on the U.S., the guidelines for the IRA are not yet out, doesn't yet encourage people to put substantial money at risk.

So, for our side, we are partners on that project, but we are not in the lead. So we, I think, as expected, and as with the project has significant delays, our priority right now, especially with the U.S. market, is in trying to focus on the projects of 10 megawatts and under for the next few years.

Ben Schwarz

Thank you. Last question here from the audience is for Gavin and it concerns the runway for the current cash position.

Gavin Jones

Yeah. Sure. So, as I mentioned earlier on, we are satisfied with the current operational inflows, such as client payments, grant inflows or VAT receipts, and coupled with the drawdowns from the Macquarie facility. I think this provides us with a runway to execute the capital raise efforts that Frederico and I have mentioned on this call.

I think, if we look at the key events, recently was the operationalized -- operation -- operating the Macquarie facility and now that we have that up and running, it should provide us with greater flexibility in accessing the facility as needed.

For those who remember, we announced that back in November. So it has taken a bit longer for us to draw down, due to multiple reasons, but we've done it, and I think, as I said, that will provide us with the flexibility going forward.

Ben Schwarz

Excellent. One more question here that I missed. With respect to production capacity at Benavente, can you touch on current and anticipated production capacity from that facility?

Frederico Figueira de Chaves

Yeah. Certainly. Very happy to. Since we are at the -- as I mentioned, the production team have done a phenomenal job as increasing the efficiency of actually producing the HEVOs. So, now one production line we have going on can make 40 megawatts of electrolyzers per year.

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The great thing about the way that our production facility is actually structured and it goes to the -- also the point that Gavin mentioned before on some of the CapEx that we've already invested and we will also need to continue to pay throughout the rest of 2024, is that with less than or somewhere between investment of €1 million to €1.5 million, we're able to more than double the production capacity.

So, we're really, really, from a production side, really well placed to grow and grow in a very cost-efficient manner. We can go from 30 to 80 all the way to 120 with effectively minimal spent, most likely every sort of doubling of the production capacity with an investment of between €1 million to €1.5 million, given the robots and the machines we have today. So it's a good question.

Ben Schwarz

Okay. Thank you, Frederico. One last question in, again, touching on the NASDAQ issue, asking how many shares Fusion Fuel has at the moment. I believe that's 17.4 million shares outstanding with respect to the $10 million equity issue.

So I think the answer to this question is two-fold. Again, one, we have -- again, we have the option to transfer to the capital markets, which has a less stringent listing criteria and a $2.5 million equity requirement, shareholder equity requirement. Additionally, that we are only required to submit our plan to regain compliance with that $10 million stockholder requirement at the end of that 45-day period.

So I think we have been clear about our intention to capitalize the company. Doing so would certainly address that concern and multiple concerns, frankly. And we only need to, I believe we have 180 days in which to regain compliance once presenting that plan. So, again, we don't need to regain compliance at the end of that 45-day period just to provide NASDAQ with a credible plan to do so.

So hopefully that answers that question. And in the absence of any additional questions, I guess we will call it a little bit early for our first quarter webcast. So thank you to everyone who joined and asked questions. If there are additional questions or if you'd like to schedule a call with either myself or members of management, please feel free to reach out to me and the IR team at, again, ir@fusion -fuel.eu. And we look forward to seeing you all again at our next update.

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